

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 AGR-10 ABF-01 FSE-00 FEAE-00 INT-05

/112 W

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R 271615Z JAN 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9557

UNCLAS SECTION 1 OF 2 CAIRO 1073

JOINT AID/STATE CABLE

EO 11652:NA

TAGS: EGEN EFIN ETRD EG

SUBJECT: BALANCE OF PAYMENTS REVIEW

REF: (A) 75 STATE 275435, (B) 75 CAIRO A-158, (C) CAIRO A-12,
(D) 75 STATE 296231

1. FOLLOWING ARE BOP DATA REQUESTED IN PARA. 3 OF REF (A)
(IN BILLIONS OF U.S. DOLLARS CONVERTED AT DOLLAR OFFICIAL RATE
OF EXCHANGE: LE 1 EQUALS \$2.56):

ITEM	1974	1975	1976
	(ACTUAL)	(ESTIMATED)	(PROJECTED)

(A) EXPORTS FOB	1.7	1.5	1.8
(COTTON)	(.77)	(.51)	(.8)
(PETROLEUM)	(.19)	(.23)	(.7)

(B) IMPORTS, C.I.F.	-3.1	-4.3	-5.1
(FOOD GRAIN)	(.64)	(.5)	(.5)

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(PETROLEUM)	(.28)	(.4)	(.4)
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(C) NET SERVICES .1 .2 .4

(D) NET TRANSFERS 1.0 0.9 .8

(E) PUBLIC OFFICIAL

CAPITAL (NET) - 1.6 2.3

(F) PRIVATE CAPITAL

(NET) 0.5 0.1 -0.2

BREAKDOWN OF OFFICIAL CAPITAL: 1975 1976

(ESTIMATED) (PROJECTED)

OECD 0.1 0.5

OPEC 1.5 1.7

MULTILATERAL - 0.1

2. SOURCES OF DATA AS FOLLOWS:

A) 1974 ACTUAL: REF (B) EXCEPT FOR NET TRANSFERS
TAKEN FROM 1976 BUDGET MESSAGE TO PEOPLE'S ASSEMBLY.

B) 1975 ESTIMATES FOR EXPORTS, IMPORTS AND NET SERVICES
ARE BASED ON PRELIMINARY DATA FOR FIRST NINE MONTHS OF 1975
OBTAINED ORALLY FROM THE CENTRAL BANK. DATA ON NET TRANSFERS
(LARGELY GRANT FROM ARAB OPEC MEMBERS) AND ON CAPITAL
FLOWS WAS OBTAINED FROM A VARIETY OF SOURCES INCLUDING GOE
1975 FOREIGN EXCHANGE BUDGET, 1976 BUDGET MESSAGE TO PEOPLE'S
ASSEMBLY, GOE OFFICIALS AND IBRD ESTIMATES.

C) 1976 PROJECTIONS FOR EXPORTS AND IMPORTS OF GOODS AND
SERVICES ARE BASED LARGELY ON 1975 AND 1976 FOREIGN EXCHANGE
BUDGETS, TAKING INTO ACCOUNT THE CONSIDERABLE LAG BETWEEN
COMMODITY IMPORTS SHOWN IN FOREIGN EXCHANGE BUDGET
AS BASIS OF ORDERS PLACED (LETTERS OF CREDIT OPENED) AND ACTUAL
PAYMENT.

3. ASSUMPTIONS UNDERLYING GOE FOREIGN EXCHANGE BUDGET ESTIMATES FOR 1976 WERE AS FOLLOWS:

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A) RECOVERY OF COTTON EXPORT EARNINGS TO 1973 LEVEL.

B) INCREASED OIL PRODUCTION AND EXPORTS (AT CURRENT
PRICES) AS A RESULT OF RETURN OF ABU RUDAIIS OIL FIELDS.

C) LOWER PRICES FOR IMPORTS OF CONSUMER GOODS AND
INTERMEDIATE GOODS IN 1976 AS COMPARED TO 1975.

D) INCREASED REVENUES FROM THE SUEZ CANAL (\$538
MILLION IN 1976 AS AGAINST \$192 MILLION IN 1975).

E) SAME OVERALL LEVEL OF CASH GRANTS AND LOANS FROM OPEC MEMBERS AS IN 1975. (WE PROJECTED SLIGHT DECREASE IN GRANTS AND SLIGHT INCREASE IN LOANS FROM OPEC BETWEEN 1975 AND 1976.)

4. PLEASE NOTE THAT BREAKDOWN OF NET CAPITAL FLOWS IS VERY TENTATIVE. WE DO NOT HAVE BREAKDOWN BETWEEN CONCESSIONAL AND NON-CONCESSIONAL DISBURSEMENT AND DISTINCTION BETWEEN PUBLIC OFFICIAL AND PRIVATE IS SOMEWHAT ARBITRARY. FOR INSTANCE, ALL LOANS EXCEPT FOR SUPPLIER CREDITS AND SHORT-TERM BANKING FACILITIES ARE INCLUDED UNDER OFFICIAL CAPITAL. SIMILARLY, BREAKDOWN OF LOAN REPAYMENTS IS NOT ALWAYS CONSISTENT WITH BREAKDOWN OF LOAN DISBURSEMENTS. IT SHOULD BE NOTED THAT LARGE INCREASE IN OECD OFFICIAL CAPITAL IN 1976 REFLECTS ANTICIPATED DELIVERIES AGAINST U.S. (PL 480 AND AID), ITALIAN, GERMAN, AND JAPANESE B/P ASSISTANCE ALREADY COMMITTED.

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

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TO SECSTATE WASHDC 9558

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JOINT AID/STATE CABLE

5. DIFFERENCES IN EXPORT AND IMPORT DATA ESTIMATED FOR 1975 AND PROJECTED FOR 1976 IN REFERENCE (D) ARE

ATTRIBUTED TO FOLLOWING:

A. UPWARD REVISION OF OIL EXPORT ESTIMATES FOR 1975 AND 1976.

B. CONSIDERATION OF TIME LAG BETWEEN ORDERS FOR IMPORTED COMMODITIES PER FOREIGN EXCHANGE BUDGET AND ACTUAL PAYMENT FOR IMPORTS.

6. PAUCITY OF INFORMATION DEVELOPED INDEPENDENTLY BY GOE MAKES US RELY PERFORCE ON IMF AND IBRD SOURCES TO LARGE EXTENT FOR INFORMATION REQUESTED PARA 4 STATE REFTEL. REASONABLY RELIABLE GNP FIGURES ARE UNAVAILABLE FOR YEARS AFTER 1974, FOR EXAMPLE; IMF LISTS \$10, 120 MILLION IN THAT YEAR. OUR ESTIMATE IN CURRENT PRICES FOR 1975 -, \$ AND PROJECTION FOR 1976 ARE \$11,500 MILLION AND \$12,400 MILLION, RESPECTIVELY, BUT THESE ARE ONLY BROAD ESTIMATES. RATES OF INFLATION WE CONSERVATIVELY ESTIMATE AT 12 PERCENT IN 1974 AND 10 UNCLASSIFIED

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PERCENT IN 1975 AND 1976. ACTUAL RATES COULD WELL BE HIGHER. REAL GNP GROWTH WE BELIEVE TO BE ON ORDER OF ZERO PERCENT, IF NOT NEGATIVE, IN 1974 IN AFTERMATH OF OCTOBER WAR, TWO PERCENT IN 1975 AND LIKELY FOUR TO FIVE PERCENT IN 1976. THIS FIGURE FOR 1976 COULD PROVE TO BE OVERLY CONSERVATIVE IF OIL EXPORTS AND SUEZ CANAL REVENUES INCREASE AS NOTED ABOVE.

7. IMF HAS PREPARED DATA ON GOE DEBT THROUGH SEPTEMBER 1975 WHICH PROVIDES MOST COMPREHENSIVE OVERVIEW AVAILABLE OF THAT CRUCIAL QUSTION. MOST INFORMATIVE GOE STATEMENT BY FAR IN THAT REGARD WAS PUBLIC STATEMENT BY MINECON LATE 1975 (SEE 75 CAIRO 13136) THAT EGYPT'S EXTERNAL DEBT TOTALLED \$7,214 MILLION EQUIVALENT OF WHICH \$5,768 MILLION WAS IN CONVERTIBLE CURRENCIES, GOE CABINET OFFICIAL COMMENTED THAT MORE THAT HALF OF DEBT WAS OWED TO SOVIET UNION. HE ALSO LISTED EGYPT'S DOMESTIC DEBT AS LE4,595 MILLION (\$11,763 MILLION AT OFFICIAL EXCHANGE RATE). EVIDENCE IS CONFLICTING, BUT THERE ARE INDICATIONS THAT DOMESTIC DEBT TOTAL ROSE BY APPROXIMATELY LE1,270 MILLION BETWEEN 1974-75. OUTSTANDING PRIVATE SECTOR DEBT IS RELATIVELY SMALL, WITH SOME \$185 MILLION IN BANK CREDIT EXTENSIONS RECORDED IN LATE 1975.

8. ABOVE FIGURES DO NOT INCLUDE MILITARY DEBT, ONWHICH WE HAVE NOT RPT NO HARD INFORMATION. UNOFFICIAL PUBLISHED SOURCES ESTIMATE OBLIGATIONS, MOSTLY TO USSR, AT \$2,000-\$4,000 MILLION. RECENT GOE EFFORTS TO RENEGOTIATE THIS DEBT WERE UNSUCCESSFUL AND ARE DUE TO RECOMMENCE MID-1976.

9. PUBLIC DEBT SERVICE TOTALS FOR 1974 ARE UNABAILABLE TO US. 1975 FIGURE IS \$877 MILLION AND 1976 IS \$1,000 MILLION ACCORDING TO LATEST IMF INFORMATON (AS OF END SEPT. 1975).

10. FOLLOWING IN MILLIONS OF DOLARS ARE GOE RECEIPTS AND EXPENDITURES (SEE 75 CAIRO A-152):

	1974	1975
EXPEND	2279 (PRELIM)	3639(BUD.)
REVENUES	1143(PRELIM)	1543(BUD.)

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(COMPARABLE DRAFT BUDGET DATA FOR 1976 ARE NOT YET AVAILABLE, BUT WILL PROBABLY BE IN SAME RANGE AS 1975).

THE FINANCING GAP, INTERNAL AND EXTERNAL, IS OBVIOUS. TO EXTENT FINANCING IS FOUND DOMESTICALLY, EFFECT ON MONEY SUPPLY IS EQUALLY OBVIOUS: MONEY AND QUASI-MONEY TOTAL ROSE FROM LE2,000 MILLION IN SEPT. 1974 TO LE 2,380 MILLION A YEAR LATER.

11. TRADE AND INVSTMENT POLICY OF GOE WAS ALTERED SIGNIFICANTLY WITH INITIATION OF "OPEN DOOR" POLICY MID-1974 DESIGNED TO PERMIT LARGER PRIVATE SECTOR ROLE, ESPCEIALLY IN FOREIGN INVSTMENT FIELD, IN ECONOMY LONG DOMINATED BY PUBLIC SECTOR CONTROLS. DURING SAME PERIOD EXCHANGE RATE STRUCTURE HAS BEEN MODIFIED TO ACCORD INCENTIVES TO CERTAIN CLASSES OF EXPORT-IMPORT TRADE. ONE ASPECT OF "OPEN-DOOR" FOREIGN EXCHANGE POLICY IS DESIGNED TO UTILIZE CONVERTIBLE HOLDINGS OF EGYPTINS ABROAD FOR NEEDED IMPORTS THROUGH OBVIATION OF REQUIREMENT FOR FORMAL CURRENCY EXCHANGE PORCEDURES. RESULTS OF TURN-AROUND IN ECONOMIC POLICY ARE MIXED TO DATE; TRADE RESTRICTIONS HAVE DEFINITELY BEEN EASED, AFFECTING FAVORABLY COMMODITY AVAILABILITIES IN A BROAD RANGE OF GOODS FROM CONSUMER ITEMS TO CAPITLA GOODS, BUT RIGIDITIES IN SYSTEM AND AMBIGUITIES IN PERTINENT LAW HAVE INHIBITED LARGE SCALE FROEIGN INVESTMENT. (SEE EXTENSIVE EMBASSY REPORTING ON LAW 43 OF 1974, "OPEN DOOR" AND RELATED SUBJECTS.)

12. EMBASSY/USAID REGRET DELAY IN REPLYING TO STATE REFTEL. UNAMBIGUOUS, TIMELY DATA ON EGYPTIAN ECONOMY ARE HARD TO COME BY.
EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BALANCE OF PAYMENTS DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Handling Restrictions: n/a
Image Path:
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Line Count: 272
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 STATE 275435, 76 CAIRO A-158, 76 CAIRO A-12
Review Action: RELEASED, APPROVED
Review Authority: hattaycs
Review Comment: n/a
Review Content Flags:
Review Date: 28 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 JUN 2004 by schwenja>; APPROVED <04 AUG 2004 by hattaycs>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BALANCE OF PAYMENTS REVIEW
TAGS: EGEN, EFIN, ETRD, EG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006